

**CITY OF SUMNER**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2015**



**Shaffer Company, PC**

117 East First St.  
P O Box 125  
Sumner, IA 50674-0125

# **CITY OF SUMNER**

## **INDEPENDENT AUDITOR'S REPORT**

### **BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

### **AUDITOR'S REPORT ON COMPLIANCE, COMMENTS AND RECOMMENDATIONS**

**JUNE 30, 2015**

City of Sumner  
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City of Sumner

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gary Walke	Mayor	January 2016
Dave Meighan	Mayor Pro Tem	January 2018
Brian Donaldson (1)	Council Member	January 2018 January 2018 January 2016 January 2016
Jackie Schlatter (2)	Council Member	
Billy Lehmkuhl (3)	Council Member	
Darren Paulus	Council Member	
Linda Meier	Council Member	
Jeffrey P. Smith	Council Member	January 2016
Lisa Oberbroeckling	City Clerk	Indefinite
David Lease	Public Works Director	Indefinite
Diane Weltner	Treasurer	Indefinite
Pat Dillon	City Attorney	Indefinite
Nathan Craun	Chief of Police	Indefinite
Tim Duhrkopf	Fire Chief	Indefinite

- (1) Resigned January 2015
- (2) Appointed March to April 2015
- (3) Elected May 2015



## **SHAFFER COMPANY, P.C.**

***Certified Public Accountant***

P. O. Box 125  
117 East First Street  
Sumner, Iowa 50674  
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A Professional Corporation  
**Roger L. Shaffer, C.P.A.**

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[www.shaffer CPA.com](http://www.shaffer CPA.com)

### **Independent Auditor's Report**

**To the Honorable Mayor and  
Members of the City Council:**

#### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Sumner, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Sumner as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinion is not modified with respect to this matter.

### Emphasis of a Matter

As disclosed in Note 4 to the financial statements, The City of Sumner adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. My opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Sumner's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 8 through 14 and 36 through 37 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 18, 2016 on my consideration of City of Sumner's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Sumner's internal control over financial reporting and compliance.

SHAFFER COMPANY, P.C.

*Shaffer Company, P.C.*

Sumner, Iowa

March 18, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Sumner provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 3.0%, or approximately \$47,000, from fiscal 2014 to fiscal 2015. A decrease in intergovernmental funds are the biggest reason for this.
- Disbursements decreased 11.6%, or approximately \$171,000, in fiscal 2015 from fiscal 2014.
- The City's total cash basis net position increased 15.8%, or approximately \$331,500, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$207,000 and the cash basis net position of the business type activities increased approximately \$124,500.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.



## **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and refuse pickup and transportation to the county owned landfill. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out to those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer, and sanitation funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

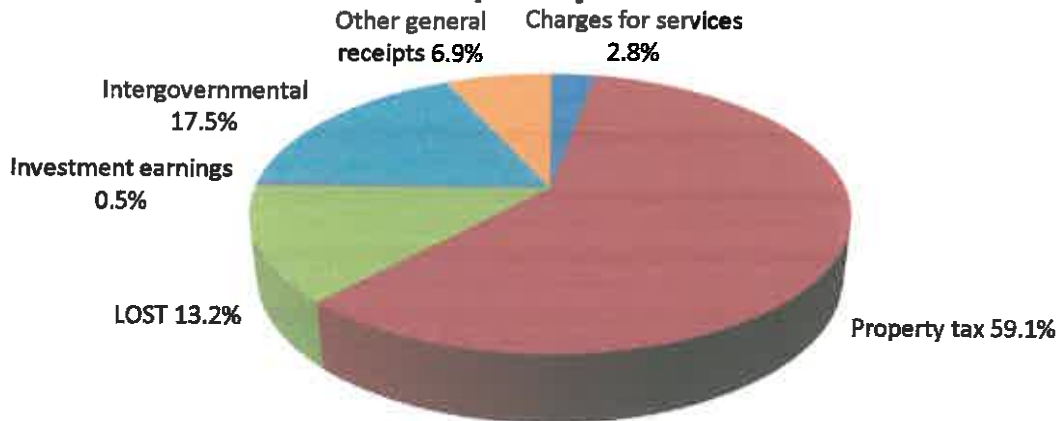
Reconciliation between the government-wide statement and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

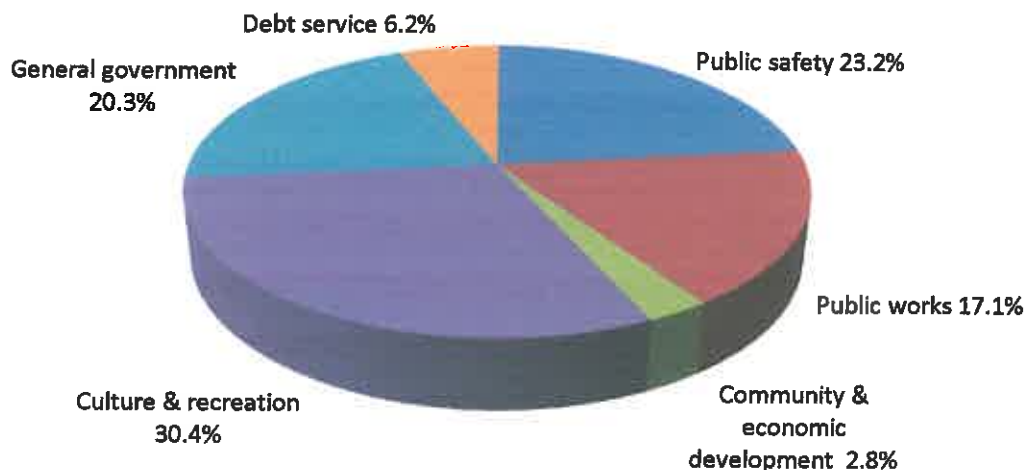
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$1.458 million to \$1.665 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)				
	Year ended June 30,			
	2015	2014	2013	
Receipts:				
Program receipts:				
Charges for services	\$ 42	43	42	
General receipts:				
Property tax	889	847	806	
Local option sales tax	200	186	180	
Unrestricted investment earnings	7	7	5	
Intergovernmental	263	363	324	
Bond Proceeds	0	0	525	
Other general receipts	104	106	188	
Total receipts	1,505	1,552	2,070	
Disbursements:				
Public safety	302	364	392	
Public works	224	277	364	
Health & social services	0	0	0	
Culture & recreation	396	428	411	
Community & economic development	36	30	193	
General government	265	237	214	
Debt service	81	139	239	
Capital projects	0	0	0	
Total disbursements	1,304	1,475	1,813	
Change in cash basis net position before transfers	201	77	257	
Transfers, net	6	36	(194)	
Change in cash basis net position	207	113	63	
Cash basis net position beginning of year	1,458	1,345	1,282	
Cash basis net position end of year	\$ 1,665	1,458	1,345	

## Receipts by Source



## Disbursements by Function



The City's total receipts for governmental activities decreased by 3.0%, or \$47,000. The total cost of all programs and services decreased by approximately \$171,000, or 11.6%.

The City didn't change the property tax rates for 2015, leaving them at \$13.689 for 2015. Property tax receipts, excluding tax increment financing (TIF), were \$804,800 for 2015, an increase of \$30,600 or 4.0%. Taxes raised from TIF increased from \$72,400 in 2014 to \$84,500 in 2015, a \$12,100 change.

The cost of all governmental activities this year was \$1.305 million compared to \$1.475 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was only \$999,000 because some of the cost was paid by those directly benefited from the programs (approximately \$42,300) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (approximately \$263,100). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some that could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2015 from approximately \$406,200 to \$305,400, principally due to receiving \$85,000 in public safety grants in fiscal year 2014.

## BUSINESS TYPE ACTIVITIES

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)			
	Year ended June 30,		
	2015	2014	2013
Receipts:			
Program receipts:			
Charges for services:			
Water	\$ 242	166	170
Sewer	378	390	393
Sanitation	193	193	194
General receipts			
Unrestricted interest on investments	1	2	1
Intergovernmental	0	0	0
Bond & Loan proceeds	52	0	0
Other general receipts	263	16	68
Total receipts	1,129	767	826
Disbursements:			
Water	186	166	496
Sewer	456	432	409
Sanitation	356	271	166
Total disbursements	998	869	1,071
Change in cash basis net position before transfers	131	(102)	(245)
Transfers, net	(7)	(36)	194
Change in cash basis net position	124	(138)	(51)
Cash basis net position beginning of year	638	776	827
Cash basis net position end of year	\$ 762	638	776

Total business type activities receipts for the fiscal year were \$1,129,000 compared to \$767,000 last year. The cash balance increased by approximately \$124,000 from the prior year. Total disbursements for the fiscal year increased by 14.8% to a total of \$998,000.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Sumner completed the year, its governmental funds reported a combined fund balance of \$1.665 million, an increase of \$207,000 above last year's total of \$1.458 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$200 from the prior year to \$511,700.
- The Road Use Tax Fund cash balance increased by \$13,900 to \$173,000 during the fiscal year. The City intends to use this money to upgrade the condition of all the City's roads.
- At the end of the fiscal year, the cash balance of the Special Revenue Fund (Employees' Benefit) was \$162,300, an increase of \$69,600 from the previous year. Higher turnover in the police department caused not as many benefits to be paid out during the fiscal year.
- The Special Revenue Fund (Local Option Sales Tax) cash balance increased by \$114,500 to \$639,500 during the fiscal year. This fund is being allowed to grow in order to fund future projects.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

For the propriety funds, the City reported a combined fund balance of \$762,100, an increase of approximately \$124,500 when compared to last year's total of \$637,600. The following are the major reasons for the changes in fund balances from the prior year.

- The Water Fund cash balance increased by \$27,900 to \$208,700.
- The Sewer Fund cash balance decreased by \$24,700 to \$352,000.
- The Sanitation Fund cash balance increased by \$121,400 to \$201,500. During this fiscal year, the recycling building caught fire. The insurance proceeds were received within the year, but only some of the costs to replace this building was done by June 30, 2015.

## **BUDGETARY HIGHLIGHTS**

The City amended its budget once during the year. This amendment was approved on May 26, 2015 to provide for additional revenues and disbursements in certain City departments. In general, the increase in the budget amendment was for increased operating expenses. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$55,000 more than budgeted. The budgeted amount was only 2.1% higher than the amount actually received.

While total disbursements were \$179,600 under the amended budget, disbursements for the debt service function exceeded its amended budget.

## DEBT ADMINISTRATION

At June 30, 2015, the City had approximately \$1.878 million in bonds and other long-term debt, compared to approximately \$2.042 million last year, as shown below:

		Outstanding Debt at Year-End (Expressed in Thousands)		
		Year ended June 30,		
		2015	2014	2013
General obligation bonds - Streetscape & Refunding	\$	0	0	55
GO bonds - Water tower maintenance & Econ Dev		307	380	452
Sewer revenue bonds		1,519	1,662	1,801
Sewer revenue bonds II		52	0	0
Total	\$	1,878	2,042	2,308

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property, excluding agriculture land valuations and before rollback, within the City's corporate limits. The City's outstanding general obligation debt of \$307,000 is significantly below its constitutional debt limit.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Sumner's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates, and fees that will be charged for various City activities.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase.

These indicators were taken into account when adopting the budget for fiscal year 2016. The City adopted property tax rates of \$13.689 per \$1,000 of taxable valuation for 2016 which was the same rate for 2015 and 2014. Budgeted revenues for fiscal year 2016 are \$2.538 million, an increase of 0.5% over the final 2015 budget. Budgeted disbursements are expected to decrease by approximately \$216,000 when compared to the final 2015 budget for a total of \$2.265 million for fiscal year 2016.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$272,800 by the end of the City's next fiscal year end.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Oberbroeckling, City Clerk, 105 East First Street, Sumner, Iowa.

**CITY OF SUMNER**  
**Basic Financial Statements**

City of Sumner

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Restricted Interest	Capital Grants Restricted Interest
<b>Governmental activities:</b>				
Public safety	\$ 302,575	0	19,100	0
Public works	223,758	0	217,229	0
Culture and recreation	396,384	42,266	26,772	0
Community & economic development	36,000	0	0	0
General government	265,186	0	0	0
Debt service	80,600	0	0	0
Capital projects	0	0	0	0
<b>Total governmental activities</b>	<b>1,304,503</b>	<b>42,266</b>	<b>263,101</b>	<b>0</b>
<b>Business type activities</b>				
Water	185,558	241,968	0	0
Sewer	455,680	377,694	0	0
Sanitation	355,876	193,056	0	0
<b>Total business type activities</b>	<b>997,114</b>	<b>812,718</b>	<b>0</b>	<b>0</b>
<b>Totals</b>	<b>\$ 2,301,617</b>	<b>854,984</b>	<b>263,101</b>	<b>0</b>
<b>General Receipts:</b>				
Property tax levied for:				
General purposes				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Bond Proceeds				
Miscellaneous				
Transfers				
<b>Total general receipts and transfers</b>				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Nonexpendable - Cemetery perpetual care				
Expendable:				
Urban renewal purposes				
Debt service				
Streets				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements



Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
	Governmental Activities	Business Type Activities	Total
	(283,475)	0	(283,475)
	(6,529)	0	(6,529)
	(327,346)	0	(327,346)
	(36,000)	0	(36,000)
	(265,186)	0	(265,186)
	(80,600)	0	(80,600)
	0	0	0
	(999,136)	0	(999,136)
	0	56,410	56,410
	0	(77,986)	(77,986)
	0	(162,820)	(162,820)
	0	(184,396)	(184,396)
	(999,136)	(184,396)	(1,183,532)
	804,846	0	804,846
	84,551	0	84,551
	199,546	0	199,546
	6,957	942	7,899
	0	51,900	51,900
	103,880	262,493	366,373
	6,399	(6,399)	0
	1,206,179	308,936	1,515,115
	207,043	124,540	331,583
	1,458,416	637,601	2,096,017
\$	1,665,459	762,141	2,427,600
\$	60,898	0	60,898
	47,396	0	47,396
	0	100,000	100,000
	173,039	0	173,039
	828,294	0	828,294
	555,832	662,141	1,217,973
\$	1,665,459	762,141	2,427,600

**Exhibit B****City of Sumner**

**Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds**

**As of and for the year ended June 30, 2015**

		Special Revenue			Other Nonmajor	
		Road Use	Employees'	Local Option	Governmental	
	General	Tax	Benefits	Sales Tax	Funds	Total
Receipts:						
Property tax	\$ 588,581	0	216,265	0	0	804,846
Tax increment financing (TIF) receiptps	0	0	0	0	84,551	84,551
Other city tax	0	0	0	199,546	0	199,546
Licenses and permits	6,586	0	0	0	0	6,586
Use of money and property	4,261	0	0	2,098	598	6,957
Intergovernmental	52,224	210,877	0	0	0	263,101
Charges for services	42,266	0	0	0	0	42,266
Miscellaneous	95,333	0	0	0	1,961	97,294
Total receipts	789,251	210,877	216,265	201,644	87,110	1,505,147
Disbursements:						
Operating						
Public safety	243,677	0	58,898	0	0	302,575
Public works	6,923	197,002	19,833	0	0	223,758
Culture & recreation	318,674	0	39,286	38,424	0	396,384
Community and economic development	36,000	0	0	0	0	36,000
General government	233,314	0	28,623	3,249	0	265,186
Debt service	0	0	0	0	80,600	80,600
Total disbursements	838,588	197,002	146,640	41,673	80,600	1,304,503
Excess of receipts over disbursements	(49,337)	13,875	69,625	159,971	6,510	200,644
Other financing sources (uses):						
Operating transfers in	85,087	0	0	5,667	80,600	171,354
Operating transfers out	(35,538)	0	0	(51,087)	(78,330)	(164,955)
Total other financing sources (uses)	49,549	0	0	(45,420)	2,270	6,399
Net changes in cash balances	212	13,875	69,625	114,551	8,780	207,043
Cash balances beginning of year	511,538	159,164	92,685	524,998	170,031	1,458,416
Cash balances end of year	\$ 511,750	173,039	162,310	639,549	178,811	1,665,459
Cash Basis Fund Balances						
Nonspendable - Cemetary perpetual care	\$ 0	0	0	0	60,898	60,898
Restricted for:						
Urban revelual purposes	0	0	0	0	47,396	47,396
Streets	0	173,039	0	0	0	173,039
Other purposes	0	0	162,310	639,549	26,435	828,294
Assigned	151,087	0	0	0	44,082	195,169
Unassigned	360,663	0	0	0	0	360,663
Total cash basis fund balances	\$ 511,750	173,039	162,310	639,549	178,811	1,665,459

See notes to financial statements

City of Sumner

Exhibit C

Statement of Cash Receipts, Disbursement and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2015

	Enterprise Funds			
	Water	Sewer	Sanitation	Total
Operating receipts:				
Charges for service	\$ 241,968	377,694	193,056	812,718
Operating disbursements:				
Business type activities	185,558	279,440	208,443	673,441
Excess (deficiency) of operating receipts over (under) operating disbursements	56,410	98,254	(15,387)	139,277
Non-operating receipts (disbursements)				
Use of money and property	174	763	5	942
Insurance Claim - Fire Damage	0	0	246,690	246,690
Loan advance	0	51,900	0	51,900
Miscellaneous	7,556	617	7,630	15,803
Rebuild Recycle Center	0	0	(147,433)	(147,433)
Debt service	0	(176,240)	0	(176,240)
Net non-operating receipts (disbursements)	7,730	(122,960)	106,892	(8,338)
Excess (deficiency) of receipts over (under) disbursements	64,140	(24,706)	91,505	130,939
Operating transfers in (out), net	(36,270)	0	29,871	(6,399)
Net changes in cash balances	27,870	(24,706)	121,376	124,540
Cash balances beginning of year	180,808	376,685	80,108	637,601
Cash balances end of year	\$ 208,678	351,979	201,484	762,141
<b>Cash Basis Fund Balances</b>				
Restricted for debt service	\$ 0	100,000	0	100,000
Unassigned	208,678	251,979	201,484	662,141
Total cash basis fund balances	\$ 208,678	351,979	201,484	762,141

See notes to financial statements.

**CITY OF SUMNER**  
**Notes to the Financial Statements**

## **City of Sumner**

### **Notes of Financial Statements**

**June 30, 2015**

#### **(1) Summary of Significant Accounting Policies**

The City of Sumner is a political subdivision of the State of Iowa located in Bremer and Fayette Counties. It was first incorporated in 1872 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, public improvements and general administrative service. The City also provides water, sewer and sanitation for its citizens.

##### **A. Reporting Entity**

For financial reporting purposes, City of Sumner has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

##### **Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete.

**City of Sumner**

**Notes of Financial Statements**

**June 30, 2015**

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position are reported in two categories:

*Nonexpendable restricted net* position is subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

*Expendable restricted net position* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

**City of Sumner**  
**Notes of Financial Statements**  
**June 30, 2015**

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursement, the fixed charges and the capital improvement costs that are not paid for other funds.

**Special Revenue:**

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account of the collection of the one percent sales tax and its uses.

The Employees' Benefits Fund is used to account for the collection of payroll taxes and provide social security and medicare, IPERS, and health insurance benefits to its employees.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sanitation Fund accounts for the operation and maintenance of the City's sanitation system.

**City of Sumner**  
**Notes of Financial Statements**  
**June 30, 2015**

**C. Measurement Focus and Basis of Accounting**

The City of Sumner maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the debt service function.



**City of Sumner**  
**Notes of Financial Statements**  
**June 30, 2015**

**(2) Deposits and Investments**

The City's deposits and investments at June 30, 2015, were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds		Sewer Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 74,000	6,140	148,000	30,380	222,000	36,520
2017	76,000	4,660	153,000	27,420	229,000	32,080
2018	78,000	3,140	209,900	24,360	287,900	27,500
2019	79,000	1,580	163,000	21,200	242,000	22,780
2020	0	0	174,000	17,940	174,000	17,940
2021-2024	0	0	723,000	37,020	723,000	37,020
<b>Totals</b>	<b>\$ 307,000</b>	<b>15,520</b>	<b>1,570,900</b>	<b>158,320</b>	<b>1,877,900</b>	<b>173,840</b>

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

## City of Sumner

### Notes of Financial Statements

June 30, 2015

#### Urban Renewal Tax Increment Financing Revenue Bonds

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$221,716, payable through June 2015. For the current year, interest paid and total TIF receipts were \$4,972 and \$72,366, respectively. These bonds are part of the streetscape and refunding bonds issued in August of 2005.

#### Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$3.1 million in sewer revenue notes issued in October 2003. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2024. Annual principal and interest payments on the notes are expected to require a majority of net sewer receipts. The total principal and interest remaining to be paid on the notes is \$1,853,560. For the current year, principal and interest paid and total customer net receipts were \$186,276 and \$144,320, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to the sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.

#### (4) **Pension and Retirement Benefits**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

## City of Sumner

### Notes of Financial Statements

June 30, 2015

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

## City of Sumner

### Notes of Financial Statements

June 30, 2015

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Members that are in the Police department contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.90 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$50,607.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$211,517. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0053292 percent, which was an increase of 0.0007453 from its proportion measured as of June 30, 2013, when it was .0060745 percent.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$20,678, \$13,235 and \$123,079 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

**City of Sumner**  
**Notes of Financial Statements**  
**June 30, 2015**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**City of Sumner**  
**Notes of Financial Statements**  
**June 30, 2015**

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 485,375	\$ 211,517	\$ (19,560)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 25,433
Sick Leave *	63,984
<b>Total</b>	<b>\$ 89,417</b>

\* Sick leave is not payable upon termination, retirement or death.

This liability has been computed based on rates of pay as of June 30, 2015.

**City of Sumner**  
**Notes of Financial Statements**  
**June 30, 2015**

**(6) Other Postemployment Benefits (OPEB)**

The City has no other postemployment benefits.

**(7) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the program level. During the year ended June 30, 2015, disbursements in the debt service function exceeded the amount budgeted.

**(8) Risk Management**

The City of Sumner is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Related Party Transactions**

The City had business transactions between the City and the City's officials and employees totaling \$3,684 during the year ended June 30, 2015.

**(10) Hospital Facilities Revenue Bonds**

The City has issued \$18 million of hospital facilities revenue bonds under the provisions of Chapter 419 of the Code of Iowa during the fiscal year ended June 30, 2015. The bond and related interest are payable solely from the revenues derived from the project and the bond and interest do not constitute liabilities of the City.

**(11) Subsequent Events**

There were no major subsequent events that occurred up to the date of this report, which is March 18, 2016.

**City of Sumner**  
**Notes of Financial Statements**  
**June 30, 2015**

**(12) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to:	Transfer from:	Amount
General	Special revenue	
	Local option sales tax	\$ 51,087
General	Capital projects	
	Project Reach	34,000
Debt service	Special revenue	
	Urban renewal tax increment	44,330
Debt service	Enterprise	
	Water	36,270
Special revenue	General	
Local option sales tax		5,667
Enterprise	General	
Sanitation		29,871
<b>Total</b>		<b>\$ 201,225</b>



**CITY OF SUMNER**  
**Required Supplementary Information**

City of Sumner  
 Budgetary Comparison Schedule  
 Of Receipts, Disbursements, and Change in Balances  
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 804,846	0
Tax increment financing	84,551	0
Other city tax	199,546	0
Licenses & permits	6,586	0
Use of money & property	6,957	942
Intergovernmental	263,101	0
Charges for services	42,266	812,718
Special assessments	0	0
Miscellaneous	97,294	262,493
<b>Total receipts</b>	<b>1,505,147</b>	<b>1,076,153</b>
Disbursements:		
Public safety	302,575	0
Public works	223,758	0
Health & social services	0	0
Culture & recreation	396,384	0
Community & economic development	36,000	0
General government	265,186	0
Debt service	80,600	0
Capital projects	0	0
Business type activities	0	997,114
<b>Total disbursements</b>	<b>1,304,503</b>	<b>997,114</b>
Excess of receipts over disbursements	200,644	79,039
Other financing sources, net	6,399	45,501
Excess of receipts and other financing sources over disbursements and other financing uses	207,043	124,540
Balances beginning of year	1,458,416	637,601
Balances end of year	\$ 1,665,459	762,141

Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Net Variance	Net as % of Final Budget
804,846	786,010	786,010	18,836	2%
84,551	74,330	81,930	2,621	3%
199,546	192,659	192,659	6,887	4%
6,586	7,275	7,275	(689)	-9%
7,899	81,895	81,895	(73,996)	-90%
263,101	254,842	267,942	(4,841)	-2%
854,984	1,099,000	1,099,000	(244,016)	-22%
0	500	500	(500)	-100%
359,787	9,000	9,000	350,787	3898%

2,581,300	2,505,511	2,526,211	55,089	2%
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302,575	425,033	425,033	122,458	29%
223,758	230,800	238,800	15,042	6%
0	0	0	0	
396,384	397,125	402,125	5,741	1%
36,000	36,000	36,000	0	0%
265,186	247,950	272,950	7,764	3%
80,600	50,600	50,600	(30,000)	-59%
0	0	0	0	0%
997,114	1,055,690	1,055,690	58,576	6%

2,301,617	2,443,198	2,481,198	179,581	7%
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279,683	62,313	45,013	
51,900	0	0	

331,583	62,313	45,013	
2,096,017	1,694,583	1,694,583	
2,427,600	1,756,896	1,739,596	

City of Sumner

Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2015

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Disbursements for the Proprietary Funds are required to be budgeted. During the year, a budget amendment increased budgeted disbursements by \$38,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the debt service function.

City of Sumner

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
Last Fiscal Year\*

Other Information

	2015	2014
City's proportion of the net pension liability	0.0053292%	0.0060745%
City's proportionate share of the net pension liability	\$ 211,517	\$ 345,832
City's covered-employee payroll	\$ 516,310	\$ 521,782
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	40.97%	66.28%
Plan fiduciary net position as a percentage of the total pension liability	87.61%	N/A

\* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Sumner  
Schedule of City Contributions  
Iowa Public Employees' Retirement System  
Last 10 Fiscal Years

Other Information

	2015	2014	2013	2012
Statutorily required contributions	\$ 50,607	\$ 47,550	\$ 45,526	\$ 43,518
Contributions in relation to the statutorily required contribution	(50,607)	(47,550)	(45,526)	(43,518)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 547,821	\$ 516,310	\$ 521,782	\$ 505,829
Contributions as a percentage of covered-employee payroll	9.24%	9.21%	8.73%	8.60%
City's required contribution rates by classification:				
Regular members	8.93%	8.93%	8.67%	8.07%
Police members	10.14%	10.14%	10.27%	9.97%

See accompanying independent auditor's report.

2011	2010	2009	2008	2007	2006
\$ 39,576	\$ 36,599	\$ 32,907	\$ 30,923	\$ 29,737	\$ 27,353
(39,576)	(36,599)	(32,907)	(30,923)	(29,737)	(27,353)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$514,231	\$500,223	\$477,582	\$461,560	\$444,719	\$353,849
7.70%	7.32%	6.89%	6.70%	6.69%	7.73%
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%
9.95%	9.20%	9.20%	8.45%	8.47%	9.23%

City of Sumner

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.



City of Sumner

Notes to Other Information – Pension Liability

Year ended June 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- **Decreased** the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**CITY OF SUMNER**  
**Other Supplementary Information**

## City of Sumner

## Schedule 1

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2015

	Special Revenue			Capital Projects		Permanent	
	Urban Renewal Tax Increment	Housing Project	Debt Service	Streetscape	Project Reach	Cemetery Perpetual Care	Total
Receipts:							
Tax Increment Financing (TIF)	\$ 84,551	0	0	0	0	0	84,551
Use of money and property	0	0	0	1	291	306	598
Miscellaneous	0	0	0	361	0	1,600	1,961
Total receipts	84,551	0	0	362	291	1,906	87,110
Disbursements:							
Debt service	0	0	80,600	0	0	0	80,600
Total disbursements	0	0	80,600	0	0	0	80,600
Excess (deficiency) of receipts over (under) disbursements	84,551	0	(80,600)	362	291	1,906	6,510
Operating transfers in (out), net	(44,330)	0	80,600	0	(34,000)	0	2,270
Net change in cash balances	40,221	0	0	362	(33,709)	1,906	8,780
Cash balances beginning of year	7,175	14,093	0	35	77,394	71,334	170,031
Cash balances end of year	\$ 47,396	14,093	0	397	43,685	73,240	178,811
<b>Cash Basis Fund Balances</b>							
Nonspendable - Cemetery perpetual care	\$ 0	0	0	0	0	60,898	60,898
Restricted for other purposes	47,396	14,093	0	0	0	12,342	73,831
Assigned for other purposes	0	0	0	397	43,685	0	44,082
Total cash basis fund balances	\$ 47,396	14,093	0	397	43,685	73,240	178,811

See accompanying independent auditor's report.

CITY OF SUMNER  
Schedule of Indebtedness  
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued		
General obligation bonds and notes:					
Water tower & economic development	September 19, 2012	2%			525,000
Revenue bonds & notes:					
Sewer revenue bonds (2003 Series)	October 27, 2003	2.25%	#	\$	3,100,000
Sewer revenue bonds II (2015 Series)	April 13, 2015	0.00%		\$	51,900
Total Revenue bonds & notes				\$	3,100,000
Totals					

# - Was 3.25%, lowered to 2.25% on 6/1/14

See accompanying independent auditor's report

Schedule 2

Balance Beginning of Year	Issued during Year	Redeemed during Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
380,000	0	73,000	307,000	7,600	512
1,662,000	0	143,000	1,519,000	33,240	2,532
0	51,900	0	51,900	0	0
1,662,000	51,900	143,000	1,570,900	33,240	2,532
\$ 2,042,000	51,900	216,000	1,877,900	40,840	3,044

**Schedule 3**

**City of Sumner**

**Bond and Note Maturities  
June 30, 2015**

General Obligation Bonds		
Water tower maintenance & Economic Development \$525,000 Issued September 19, 2012		
Year Ending June 30,	Interest Rates	Amount
2016	2.000%	74,000
2017	2.000%	76,000
2018	2.000%	78,000
2019	2.000%	79,000
Total		\$ 307,000

Sewer Revenue Bonds					
Sewer Revenue Bonds \$3,100,000 Issued October 27, 2003			Sewer Revenue Bonds II \$51,900 Issued April 13, 2015		
Year Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Total
2016	2.250%	\$ 148,000		\$ -	\$ 148,000
2017	2.250%	153,000		-	153,000
2018	2.250%	158,000	0.000%	51,900	209,900
2019	2.250%	163,000		-	163,000
2020	2.250%	168,000		-	168,000
2021	2.250%	174,000		-	174,000
2022	2.250%	179,000		-	179,000
2023	2.250%	185,000		-	185,000
2024	2.250%	191,000		-	191,000
Total		\$ 1,519,000		\$ 51,900	\$ 1,570,900

Interest rate of 2% plus a service fee of .25% for a total of 2.25%

See accompanying independent auditor's report

## **CITY OF SUMNER**

City of Sumner

Schedule 4

Schedule of Receipts by Source and Disbursements by Function  
All Governmental Funds

For the Last Ten Years ended June 30, 2015

	2015	2014	2013	2012
<b>Receipts</b>				
Property tax	\$ 804,846	774,247	694,692	676,255
Tax Increment Financing (TIF)	84,551	72,366	111,451	64,156
Other city tax	199,546	186,479	179,508	186,051
License & permits	6,586	5,565	9,271	8,375
Use of money & property	6,957	6,582	4,518	7,410
Intergovernmental	263,101	362,877	323,696	378,148
Charges for services	42,266	43,297	42,250	51,725
Bond proceeds	0	0	525,000	0
Miscellaneous	97,294	100,272	179,864	109,073
<b>Total receipts</b>	<b>\$ 1,505,147</b>	<b>1,551,685</b>	<b>2,070,250</b>	<b>1,481,193</b>
<b>Disbursements:</b>				
Operating:				
Public Safety	\$ 302,575	364,349	391,980	373,595
Public Works	223,758	276,981	364,138	246,301
Health & Social Services	0	0	0	0
Culture & Recreation	396,384	428,093	411,075	389,894
Community & Economic Development	36,000	29,581	193,643	172,491
General Government	265,186	236,702	213,794	180,112
Debt Service	80,600	138,795	239,030	159,263
Capital Projects	0	0	0	0
<b>Total Disbursements</b>	<b>\$ 1,304,503</b>	<b>1,474,501</b>	<b>1,813,660</b>	<b>1,521,656</b>



2011	2010	2009	2008	2007	2006
655,032	631,115	610,021	531,673	581,249	571,683
67,277	74,877	74,360	205,281	104,111	32,267
182,789	192,909	185,125	186,583	162,488	146,654
5,396	5,151	5,865	4,811	5,081	6,920
11,474	16,643	23,269	54,826	104,161	65,698
251,378	243,576	216,954	222,619	217,118	218,377
44,535	43,805	40,975	37,155	39,470	46,968
0	0	0	0	0	1,270,000
105,662	102,718	90,953	109,520	89,653	239,856
1,323,543	1,310,794	1,247,522	1,352,468	1,303,331	2,598,423

321,623	273,850	275,775	270,317	385,227	277,381
322,910	231,528	212,305	195,663	207,944	234,852
0	0	3,600	0	0	0
351,022	324,371	337,136	284,308	276,250	257,385
7,372	0	0	0	0	0
161,679	179,444	159,297	155,188	130,564	159,763
365,597	405,564	217,656	209,282	209,408	633,691
0	0	0	0	37,253	713,713
1,530,203	1,414,757	1,205,769	1,114,758	1,246,646	2,276,785

## **CITY OF SUMNER**

## **CITY OF SUMNER**

**Independent Auditor's Report  
on Internal Control  
over Financial Reporting  
and on Compliance  
and Other Matters Based  
on an Audit of Financial Statements  
Performed in Accordance  
with Government Auditing Standards**



## **SHAFFER COMPANY, P.C.**

***Certified Public Accountant***

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**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

**To the Honorable Mayor and  
Members of the City Council:**

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Sumner, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated March 18, 2016. My report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered City of Sumner's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Sumner's internal control. Accordingly, I do not express an opinion on the effectiveness of City of Sumner's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Sumner's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-14 and II-B-14 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Sumner's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### City of Sumner's Responses to Findings

City of Sumner's responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. City of Sumner's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Sumner during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

**SHAFFER COMPANY, P.C.**

*Shaffer Company, P.C.*

Sumner, Iowa

March 18, 2016

City of Sumner  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose a non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES**

II-A-15 Segregation of duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all sometimes done by the same person.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate this.

Conclusion - The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

City of Sumner  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

**Part II: Findings Related to the Financial Statements, Continued:**

II-B-15 Preparation of Financial Statements – Reporting financial data reliably in accordance with generally accepted accounting principles requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation – I recognize that with a limited number of office employees, preparation of the financial statements with its footnotes and exhibits is difficult. The City should obtain additional knowledge on generally accepted accounting principles through reading relevant accounting literature and attending classes.

Response – The City will obtain additional knowledge on generally accepted accounting principles in any way possible that is economically feasible, in order to improve the ability to prepare and take responsibility for the financial statements.

Conclusion – Response accepted.

**Part III: Other Findings Related to Statutory Reporting:**

III-A-15 Certified Budget - Disbursements during the year ended June 30, 2015, exceeded the amounts budgeted in the debt service function. Chapter 384.18 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended as required, if applicable.

Conclusion - Response accepted.

III-B-15 Questionable Disbursements - No disbursements were noted for parties, banquets, or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

III-C-15 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-15 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-E-15 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

City of Sumner  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

**Part III: Other Findings Related to Statutory Reporting, Continued:**

III-F-15 Business Transactions - Business transactions between the City and City officials or employees are summarized as follows:

Name, title, and business connection	Transaction description	Amount
Roger Burgart, Employee	Spraying	\$3,405
Dave Meighan, Council member Meighan Tiling & Escavation	Backhoe work	\$240
Gary Walke, Mayor G. Dub. Ya, LLC	Supplies	\$39

The transactions above do not appear to represent conflicts of interest.

III-G-15 Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

III-H-15 Revenue Bonds and Notes - No instances of non-compliance with the revenue bond and note resolutions were noted.

III-I-15 Annual Urban Renewal Report - The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

III-J-15 Notice of Public Hearing for Public Improvements - The City did not publish a notice of public hearing for the construction of the Recycling Building as required by Chapters 26.12 and 362.3 of the Code of Iowa.

Recommendation - Before entering into a contract for a public improvement with an estimated total cost in excess of \$100,000, the City Council should hold a public hearing and give notice at least four but not more than twenty days prior to the hearing.

Response - We will publish the appropriate notice in the future as required.

Conclusion - Response accepted.



City of Sumner

Audit Staff

This audit was performed by:

Roger L. Shaffer, C.P.A., Owner & Manager of the Firm

SHAFFER COMPANY, P.C.

A handwritten signature in blue ink, appearing to read 'R. Shaffer', followed by a horizontal line.

ROGER L. SHAFFER  
Certified Public Accountant